WRITTEN STATEMENT FOR THE RECORD

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ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

HEARING TITLED, "*USDA'S RURAL DEVELOPMENT: DELIVERING VITAL PROGRAMS AND SERVICES TO RURAL AMERICA*" BEFORE THE U.S. HOUSE COMMITTEE ON AGRICULTURE, SUBCOMMITTEE ON COMMODITY MARKETS, DIGITAL ASSETS, AND RURAL DEVELOPMENT

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Testimony of the Honorable Paul Heimel
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Chairman Johnson, Ranking Member Davis and Members of the Subcommittee, thank you for the opportunity to testify on behalf of the National Association of Counties (NACo) and the nation's 3,069 counties, parishes and boroughs. NACo represents nearly 40,000 county elected officials and 3.6 million county employees working every day to deliver essential services that support our residents. We appreciate the chance to work toward our shared goal of fostering stronger, more resilient rural communities

My name is Paul Heimel, and I am honored to serve as a County Commissioner in Potter County, Pennsylvania, home to roughly 16,000 residents across one of the most rural and beautiful regions of the Commonwealth. Before my time in county government, I served as third-generation editor of the local weekly newspaper for two decades; took a detour to work in corporate communications and public relations for several years, and was then elected to a seat on the Potter County Board of Commissioners, where I have served for nearly 18 years.

As a commissioner, I've been a strong advocate for rural counties, leading efforts to expand services for military veterans, implement criminal justice reforms and support a wide range of local initiatives. I also serve in leadership roles with the County Commissioners Association of Pennsylvania, and I remain actively involved with the National Association of Counties.

The U.S. Department of Agriculture's Rural Development mission area (USDA RD) is an indispensable federal partner for counties like mine. Through community facilities financing, entrepreneurial capital and technical support, USDA RD programs help local governments, our partners and residents build and sustain thriving rural communities.

Today, I will highlight the following items:

- The role counties play in rural development
- The critical need for USDA RD programs to address local needs and support county-led growth
- Practical improvements to modernize and scale USDA RD tools so rural Americans can access them
- Impacts of USDA's departmental reorganization as it relates to preserving the vital role USDA RD plays in our communities.

By shaping policy to match rural governance, we can ensure that every community, regardless of size, location or capacity, has a fair shot at success.

County governments play a critical role in Rural America, but face persistent structural challenges

Rural America is home to 20 percent of the nation's population and spans more than 70 percent of its land mass. In these communities, county governments are the connective tissue that holds rural life together. Counties provide the public safety, emergency response and law enforcement residents count on in moments of crisis. We build and maintain the roads, bridges and water systems that keep people and goods moving. We plan and permit development, support local businesses, run elections and invest in education. In partnership with state and federal agencies, we deliver the everyday human services that make it possible for people to live and work in rural areas even when budgets are tight and staff are stretched thin.

Despite the vital role counties play, the challenges we face are deep and persistent. Rural residents are among the most underserved in the country. The poverty rate in rural America (14.4 percent) is 2.5 percentage points higher than the national average (11.9 percent). Of the 353 counties experiencing persistent poverty, 85 percent are rural. One in five rural census tracts is considered a disadvantaged community, a key indicator of vulnerability to shocks like economic downturns and natural disasters.

Potter County is extremely rural, with a population that has fallen below 16,000 for the first time since 1920. Meanwhile, the median age has been steadily rising to nearly 50 years; nationally it's 38.7. Each year, we have more deaths than births and we continue to see a serious outmigration of teens and young adults.

Rural counties face unique challenges in meeting local needs. With limited staff and funding, many lack the capacity, defined as the personnel, expertise and capital, to deliver services and pursue external funding. These gaps can make it difficult to apply for or manage state and federal programs, especially those with complex requirements, reporting burdens or match obligations. As a result, the communities most in need of investment are often least able to access it.

In light of these challenges, USDA RD is our most important federal partner

USDA RD is often the only source of support that can move a project from an idea to a reality. Each year, USDA RD finances tens of billions of dollars in rural infrastructure, housing and business investments across tens of thousands of projects. USDA RD programs have invested over $26 billion dollars across nearly 60,000 projects in FY 2025 alone. The value of USDA RD is not only capital it can provide, but also its delivery model. USDA deploys a field-based workforce that places experienced staff in or near the communities they serve. In many rural areas, the USDA field office is the front door to the federal government. That local presence helps projects take root and succeed.

I've seen firsthand what USDA RD means for rural counties like mine. In Potter County, we have been proud and frequent partners with USDA RD going back to the 1980s. We have seen $8.23 million in 95 different USDA RD investments since FY 2015, including $3.86 million in loans and $4.37 million in grants. These investments have touched nearly every corner of community life: housing, public works, emergency services and more. We have leveraged USDA RD loans and grants to acquire and improve water systems in places like Roulette Township, helped our local ambulance association purchase lifesaving equipment and built housing that our seniors and working families can actually afford. USDA RD programs have enabled low-income residents to buy their first homes and stay in them through critical home repair financing.

These kinds of projects are often out of reach for counties like ours without federal help. With one of the lowest median incomes in Pennsylvania and a real estate tax base undercut by the 44 percent of land in our county that is state-owned and tax exempt, we simply cannot do it alone. Environmental compliance, prevailing wage and other important standards often come with price tags we can't meet without outside support. USDA RD has been that support, and when called upon, we have always stepped up and met the local match.

These needs are not going away. If anything, they are growing more urgent. Rural health care in our region is approaching a full-blown crisis. Just three months ago, the maternity ward at our local UPMC hospital closed, leaving behind a seven-county maternity desert across the northern tier of Pennsylvania. More recently, the same hospital closed its skilled care unit, a service it had provided for more than 50 years. Our communities are losing essential care, and with each closure, our families are left with fewer and fewer options. We are trying to respond the way rural communities always do: with creativity, collaboration and a commitment to taking care of our own. However, we know we cannot reach our full potential without strong federal partnerships.

That is why USDA RD matters to counties like mine. Not just because of what it has helped us build in the past, but because of the role it must continue to play as we face the challenges ahead. Our track record shows that counties like Potter are ready to do our part, but we need USDA RD to have the resources and flexibility to meet us there.

<u>USDA RD Programs are vital tools for county-led growth</u>

For county leaders, USDA RD programs are some of the most powerful tools we have at our disposal to grow local economies, support small businesses and provide essential services in rural communities. I want to speak today from both experience and observation: what's worked, and where small changes would go a long way. The following is a breakdown of major programs in USDA RD's portfolio under consideration by the subcommittee at today's hearing, along with recommendations our congressional partners can consider to improve outcomes from these resources.

Programs with direct county eligibility:

The **Community Facilities Program (CFP)** is the backbone of rural infrastructure finance. Counties use it to build, equip and renovate EMS facilities, 911 dispatch centers, rural health clinics, courthouses, jails, community centers and more. These are the assets that keep our towns functioning. They are often owned and operated by the county for decades. In Potter County, an additional CFP-financed ambulance can mean the difference between life and death on a snowy night when there's only one crew on duty.

Counties also see the catalytic potential of CFP dollars to advance rural food systems and entrepreneurship. In neighboring Cameron County, a former restaurant has been transformed into a certified production facility for locally sourced food products. This Innovation Center is the only commercial kitchen available across our region of northern Pennsylvania. Thanks to a $345,000 USDA Community Facilities grant, the space now serves as a shared-use kitchen where food entrepreneurs can produce sauces, soups and baked goods that meet USDA food safety standards. These producers can then sell to local retailers, online customers, farm markets and community events, thereby creating new revenue streams rooted in our community.

But the project is about more than equipment. It has become a hub for rural workforce development and community revitalization. Penn State Extension now uses the space to host ServSafe certification courses and small business classes. Northern Pennsylvania Regional College offers culinary training for local students. CareerLink has plans to use the site for job readiness programming. The Chamber of Commerce and Artisan Center relocated to the facility, strengthening local tourism and creating a visible front door for the county's creative economy. The project even spurred a $65,000 follow-on grant from the local electric utility to purchase energy-efficient kitchen equipment. This is the kind of rural innovation that USDA programs make possible, and it shows how even modest federal dollars, when paired with strong local vision, can spark durable, multifaceted benefits for rural communities.

CFP's strength lies in its ability to finance right-sized projects tailored to rural service areas, but matching requirements, a lack of planning support and a rigid cost structure limit participation. Congress should expand access to predevelopment funds, waive match requirements for fiscally constrained counties and prioritize small-scale, low-overhead projects that stretch taxpayer dollars further. Structuring CFP with these rural realities in mind would unlock hundreds of essential projects across the country.

The **Rural Business Development Grants (RBDG) Program** is one of the most flexible tools available to rural counties for small business development. Counties have used it to create shared-use kitchens, support rural tourism corridors, provide microloans through local revolving funds and help workers form cooperatives in the absence of local employers. RBDG is a program we turn to when we want to breathe life into our town centers – not through big-ticket incentives but by seeding practical investments block-by-block. The grant is accessible to counties but constrained by modest funding levels and a one-year award structure that makes incorporating RBDG program funding into long-term planning difficult. Administrative requirements can also be burdensome for counties with only limited access to economic development staff. Congress can improve RBDG by increasing award caps, enabling multi-year grants and expanding eligible uses to include site development, community branding and marketing. A small increase in flexibility and funding would yield outsized returns.

Rural Innovation Stronger Economy (RISE) grants support a critical but often out-of-reach goal for counties: building regional innovation infrastructure. The program funds hubs that combine entrepreneurship, workforce development and industry support tailored to local strengths. In rural Pennsylvania and nearby New York, counties are using RISE to grow sectors like forest products, sustainable building materials and outdoor recreation manufacturing. These efforts create durable, locally rooted jobs and expand economic opportunity for our residents.

RISE makes these projects possible by financing the facilities and training needed to launch them. However, the program's complexity makes it hard for smaller counties—especially those without planning staff or anchor institutions—to apply. Without dedicated technical assistance, it's difficult to form the required consortium or develop a competitive business plan. USDA should create a smaller-scale tier for early-stage applicants, fund regional TA providers to help form partnerships and expand eligible activities to include convening and planning. The program's design is strong. It just needs to reach the communities it was built to serve.

The **Meat and Poultry Intermediary Lending Program (MPILP)** helps counties address a key gap in rural agricultural economies: local processing capacity. The program provides flexible capital to intermediaries, who then relend to small and midsize processors. Counties can serve as intermediaries or partner with them to finance equipment like cut-and-wrap rooms, cold storage, refrigerated trucks, wastewater pretreatment and food safety upgrades. In places like Potter County, this support can keep a regional plant open or add a mobile unit so producers don't have to haul livestock long distances. These investments keep more value in the community and strengthen local supply chains.

Still, MPILP's structure can be burdensome. It requires detailed planning, long timelines and documentation that small counties and processors often can't manage alone. USDA should issue county-specific guidance, allow smaller relending deals and permit bundled projects that combine equipment, food safety compliance and distribution needs. Eligible uses should include regional cold storage and last-mile delivery. USDA should also pair financing with technical assistance for business planning and food safety and align loan terms with the seasonal nature of cash flow. The program's intent is strong. With simpler access and right-sized tools, MPILP can better reach the communities it was built to support.

Programs where counties access support through key partnerships:

The **Rural Economic Development Loan and Grant (REDLG) Program** demonstrates how much can be accomplished when federal capital flows through trusted local institutions. In many rural regions, the most capable financial intermediary is the electric cooperative or telecom provider. These institutions know the community, understand rural credit and are willing to provide capital that may otherwise be unavailable through private sector sources. Counties frequently collaborate with these co-ops to finance fire stations, broadband deployment, health clinic, main street revitalization projects and more. But REDLG's structure limits the county role. Only eligible USDA borrowers — typically utilities — can apply directly, and county access depends entirely on informal partnerships. USDA provides limited guidance on how these partnerships should be structured. Congress can make REDLG more accessible by allowing counties to serve as co-applicants, expanding eligible uses to include housing and infrastructure planning and streamlining USDA's review process to ensure timely deployment. Rural counties are ready to lead projects. However, we need a clearer and more direct pathway to the capital.

Although counties cannot apply directly for **Value-Added Producer Grants (VAPG)**, we often play an indirect but essential role in helping rural producers access support through the VAPG program. These grants keep more agricultural wealth in rural communities — for example, by helping a dairy farm start an on-site cheese operation or a grain co-op launch a branded flour line. That added value builds resilience and supports the supply chain that rural counties rely on to sustain our local economies. However, the smallest producers often don't have time or expertise to prepare a full VAPG application. VAPG is designed for independent producers and ag-based business ventures. Grants require a 1:1 match and a detailed business plan. Smaller producers struggle to meet those requirements, and counties are currently unable to serve as fiscal agents or technical assistance providers under the program. Counties could help by coordinating producer groups, offering matching funds or providing technical assistance, but the program doesn't currently make space for us. USDA should allow counties or regional entities to serve as administrative partners, fiscal sponsors or TA providers for small producer groups. Template business plans and streamlined application pathways would also help. If we want to grow rural wealth from the ground up, we need tools that empower the people and institutions already doing that work.

The **Rural Business Investment Program (RBIP)** is USDA's effort to bring equity capital to rural communities, something many rural businesses find elusive. Counties indirectly benefit from RBIP when approved investment funds (RBICs) support firms located in their communities. But RBICs often overlook smaller or more remote counties, and many rural businesses are not investment-ready. Counties can help identify promising local firms or sites, but the program offers no formal mechanism for engagement or coordination. RBIP can work better for rural counties if USDA requires RBICs to engage with local governments when evaluating investments, provides technical assistance to help firms become investment-ready and expands capital structures beyond equity. For example, supporting mezzanine or revenue-based financing models that better match rural growth trajectories. If USDA wants private capital to align with rural economic development, counties need a seat at the table.

The **Rural Microentrepreneur Assistance Program (RMAP)** recognizes that the most important businesses in rural counties are sometimes the smallest. From mobile mechanics to home health aides, these entrepreneurs don't need millions. They need a few thousand dollars and guidance on bookkeeping, business planning and compliance. RMAP is one of the few programs designed to meet these needs, pairing small loans with hands-on coaching from local intermediaries. Where those intermediaries exist, counties often partner by making referrals, sharing space or helping meet match requirements. But in places without intermediaries, counties have no clear way to fill the gap. RMAP currently excludes counties from eligibility. Congress should expand eligibility to allow counties and county-led economic development agencies to serve as intermediaries or partners. USDA should also offer multi-year funding for strong-performing Microenterprise Development Organizations and streamline re-advances to avoid service disruptions. This is one of USDA's most effective programs. It just needs to be easier to deliver and grow where it's needed most.

The upcoming Farm Bill presents a critical opportunity to expand access and modernize delivery of USDA RD programs and resources

USDA RD programs are among the most powerful levers the federal government has to support infrastructure, small business growth and community vitality in rural America. But far too often, these programs are out of reach for the counties they are meant to serve, not because the needs aren't real, but because the systems around those programs are too complex, too slow or too disconnected from rural reality.

The House Agriculture Committee has a chance to change that. By including commonsense reforms and new investments in the next Farm Bill, the Committee can ensure that USDA RD remains not only well-resourced, but also responsive, accessible and effective for rural counties. These are the types of improvements that will not make headlines, but they will make a difference. They will ensure that USDA RD programs reach the counties they were designed to serve, and that rural America is not just included in the Farm Bill but fully empowered by it.

Counties urge members of the Committee to consider the following recommendations in any future action on USDA RD programs:

Simplify access for small-dollar projects: USDA should establish a streamlined application track for modest but essential investments under Community Facilities and RBDG. These micro-projects such as acquiring new ambulances, HVAC replacements at senior centers or code-compliant restrooms in childcare facilities, deliver high value but often face disproportionate administrative hurdles. For these applications, USDA should reduce narrative requirements, allow a single unified budget narrative and waive documentation not required by statute.

Pre-development activities like feasibility studies, site selection and environmental review should be explicitly eligible uses under USDA RD programs. These expenses often fall to county general funds and are a major barrier to participation for rural jurisdictions.

USDA should standardize core application components across CF, RBDG, RMAP and REDLG to the extent permitted by statute, and pilot a common core form. Pilot regional bundling of small projects with a single review. Where NEPA scopes and lead-agency determinations align, allow a single environmental record across RD programs. Applicants could then reuse project narratives, budget forms and attachments, reducing duplication and cutting down on application time for applicants and administrative review for USDA RD staff.

Improve program sequencing and coordination: Federal resources are most effective when local staff can align them with real-world timelines. USDA should open rolling concept submission windows and adopt quarterly award cycles to allow counties to coordinate with board calendars, permitting processes and legislative sessions.

To support early-stage applicants, USDA should publish a plain-language eligibility matrix listing allowable uses, matching requirements and unique criteria for each RD program. This should be paired with a living repository of sample projects – for example, "fire hall expansion" under Community Facilities Program or "shared-use commercial kitchen" under the Rural Business Development Grant and Loan Program – informed by regular field office feedback and updated to align with programmatic and statutory changes.

Where National Environmental Policy Act (NEPA) scopes are similar, USDA should allow a single environmental record to satisfy requirements across programs. This would save consultant costs and staff time while maintaining environmental protections.

Strengthen field-based delivery: In many rural counties, the USDA field office is not just the point of access for RD programs – it is the only federal office in the region and a front door to the federal government for rural residents. The success of USDA's local delivery model depends on having enough staff with enough time and expertise to provide real support to rural customers. USDA should prioritize backfilling vacancies and limiting individual caseloads, particularly in high-demand states and persistent poverty counties.

USDA should also establish standing virtual and in-person office hours at the state level, where county staff and regional development partners can schedule brief consultations to review project concepts and get questions answered. These consultations should be available at least biweekly and staffed by specialists trained in multiple program areas.

In addition, USDA should provide resources for circuit-rider TA teams or technical assistance (TA) vouchers that counties can use with trusted nonprofit partners, regional councils or local economic development organizations to build capital stacks and navigate post-award compliance. USDA's Community Facilities Technical Assistance and Training and Rural Community Development Initiative programs provide a potential model for this approach, but funding should be scaled up and targeted specifically at pre-application support.

Make rural-scale financing work: Rural projects often stall not because they lack merit but because funding sources cannot be aligned in time. USDA should offer conditional commitments or letters of interest across programs to help counties demonstrate intent to fund when applying for state appropriations or private match. These tools exist in CF loans and Single-Family Housing and should be extended across RD programs.

USDA should clarify that reasonable interest on interim financing is an eligible project cost under CF and RBDG. Counties often rely on bridge loans while awaiting obligation. Clear guidance would ease cash flow constraints without increasing risk. Counties and regional entities should also be allowed to bundle small projects into a single coordinated application to reduce transaction costs and achieve scale.

Modernize USDA RD technology to improve rural access: Counties urge USDA RD to consider building a single web-based "front door" for its programs. This portal should include:

- A program matching tool based on project need and location
- Application status tracking for pre- and post-award stages
- Email and text alerts for deadlines, missing items and decisions
- Save-and-reuse functionality for standard forms
- A geospatial eligibility checker that overlays maps with population data and priority designations
- Published service standards including average review times, common deficiencies and FAQs

USDA's existing tools, like RDApply and the Rural Data Gateway, offer a foundation, but functionality must be expanded. Portals should be mobile-friendly and usable in low-bandwidth settings to accommodate rural connectivity gaps.

Invest in rural capacity building: To ensure USDA RD programs reach the communities they're intended to serve, the 2025 Farm Bill must include dedicated investments in rural capacity building. Counties face persistent barriers to accessing federal resources not because of lack of need or readiness, but because of limited staffing, grant-writing expertise and technical support.

The 2025 Farm Bill presents a key opportunity to address this challenge. Counties support the inclusion of new rural capacity-building initiatives that would provide multiyear, flexible grants to local stakeholders to plan, implement and coordinate community development strategies across rural America. This would help counties overcome longstanding barriers to accessing federal funds by investing in the staff, partnerships and tools needed to move local priorities forward and level the playing field for rural communities. We also support devoting mandatory funding to rural development programs. Consistent funding is essential to ensure capacity-building support is not subject to year-by-year appropriations, especially in communities that need the most help in reaching federal resources.

These recommendations are not radical departures from current law. They are practical, bipartisan adjustments that build on USDA's own successful models, expand access for the smallest and most underserved counties and ensure that federal dollars are deployed more efficiently. By making these changes in the next Farm Bill, the House Agriculture Committee can bring USDA RD into closer alignment with the realities of rural governance.

As Congress considers the future of USDA programs through the upcoming Farm Bill, it is equally important to ensure that USDA's internal reorganization strengthens, rather than weakens, the Department's ability to deliver on-the-ground results in rural communities.

Counties support USDA's goal of improving operational efficiency and ensuring taxpayer dollars are used effectively. At the same time, we urge the House Agriculture Committee to exercise strong oversight and ensure that USDA's reorganization builds on the Department's greatest strength: its field-based presence and local relationships.

In many rural counties, USDA field staff are more than program administrators. They are neighbors, partners and in many cases the only visible federal officials available to residents. Counties collaborate with USDA every day to implement conservation projects, expand broadband, deliver nutrition assistance, respond to disasters and build affordable housing and infrastructure. These are practical, place-based partnerships that depend on trust, continuity and local expertise. As the reorganization moves forward, the Committee has a critical opportunity to ensure that USDA remains rooted in the communities it serves and continues to deliver on the ground.

To that end, counties offer the following recommendations for strengthening USDA's service delivery model through the reorganization process:

1. **Maintain and Strengthen USDA's Field-Based Workforce:** USDA field offices are instrumental in helping counties navigate complex programs, tailor projects to local needs and deliver timely support during emergencies. These personnel are not interchangeable with centralized systems. They offer institutional knowledge and community trust that cannot be replicated through regional hubs alone. USDA should prioritize backfilling vacancies, empowering field offices and ensuring staff have the time and flexibility to support small and first-time applicants. In states where counties administer SNAP and other safety net programs, these staff will be especially important as local governments implement changes included in H.R. 1.

2. **Engage Local Governments and Partners Early and Often:** Counties are key intergovernmental partners in serving USDA's rural customer base. USDA should establish regular stakeholder consultation mechanisms, including listening sessions, rulemaking comment opportunities and continued cooperating agency status for counties. Structural changes that affect how counties interact with USDA should never be implemented without meaningful local input.

3. **Ensure Continuity of Operations During Reorganization:** Counties rely on USDA to support housing, infrastructure, nutrition and economic development projects. Delays caused by staffing gaps or administrative restructuring could threaten local timelines, funding drawdowns, or compliance. USDA should publish clear continuity protocols and designate points of contact for impacted programs to help local governments and grantees stay on track during transitions.

4. **Clarify the Role of Regional Hubs:** While there may be cost-efficiencies in relocating some functions, regionalization must not come at the expense of responsiveness. USDA should define the responsibilities and decision-making authority of regional offices, protect local

office autonomy for project-specific decisions, and assess how hub structures affect applicant experience in rural communities.

5. **Preserve USDA RD Within USDA's Jurisdiction:** USDA should continue to lead the federal rural development mission. No other agency offers the same blend of local delivery, sector-specific expertise, and cross-program coordination. USDA should continue to build on this capacity, not transfer it elsewhere.

6. **Prioritize Cross-Mission Area Integration and Interagency Coordination Without Losing Local Responsiveness:** USDA should seek to better integrate operations across mission areas without sacrificing specialized expertise or local responsiveness. Streamlining is welcome where it reduces redundancy and improves access. But integration must not result in one-size-fits-all programming or diminish the availability of subject-matter experts in state and local offices. USDA should retain flexible, agency-specific TA resources and ensure integration efforts remain responsive to local context.

As the House Agriculture Committee considers USDA's proposed reorganization alongside Farm Bill reauthorization, we encourage Members to protect the principles that have made USDA such a vital partner to rural counties: proximity, partnership and place-based problem-solving. USDA's footprint in rural America is not a relic. It is a modern and necessary foundation for effective service delivery. With the right safeguards and stakeholder engagement, this reorganization can strengthen USDA's ability to deliver on its mission and help ensure that no county is left behind.

<u>Conclusion</u>

Chair Johnson and Ranking Member Davis, on behalf of NACo and rural counties across the country, thank you for your attention to these tools and to the people who rely on them. We stand ready to work with this Subcommittee to preserve these programs and to modernize and streamline them so that every county, regardless of size or staff capacity, can put them to work to build stronger more resilient communities across rural America.